

## MEMORANDUM

**TO:** Board of Environmental Protection  
**FROM:** Jeff Crawford, Bureau of Air Quality  
**DATE:** November 14, 2007  
**RE:** Adoption of Proposed Amendments to Chapter 156, CO2 Budget Trading Program

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### **Statutory and Regulatory Reference:**

A. Statutory authority.

38 MRSA Section 585-A provides that the Board of Environmental Protection “may establish and amend regulations to implement ambient air quality standards and emission standards. These regulations shall be designed to achieve and maintain ambient air quality standards and emission standards within any region and prevent air pollution.”

B. Specific legal mandates requiring adoption.

PL 2007 c. 317 requires the Department to adopt rules to implement the CO2 Budget Trading Program.

### **Location/Applicability:**

The proposed regulation will apply statewide.

### **Description:**

The proposed Chapter 156 establishes Maine’s component of a regional carbon dioxide cap-and-trade program. The proposed regulation sets forth provisions for allocating CO2 allowances; requirements for licensing, monitoring, reporting, recordkeeping and compliance; provisions for tracking and transferring allowances; and offset project provisions. The regulation applies to fossil-fuel fired units that serve a generator greater than or equal to 25 megawatts and sell greater than 10% of their power to the grid. Currently, six sources in Maine meet all of these conditions. The program will begin in January 2009.

On November 1, 2007, the Board of Environmental Protection held a public hearing on the Department’s proposed Chapter 156 CO2 Budget Trading Program regulation. During the public hearing and subsequent comment period, the Department received comments from more than 200 interested parties. The majority of the commenters urged the Department to include a voluntary renewable energy credit component in the program, which would require a change in the statute. A fair number of comments also addressed the issue of “eligible biomass,” offset categories, and a number of other aspects of the rule.

The Department made changes where appropriate. A summary of comments and the Department's responses can be found in the Supplemental Basis Statement.

**Environmental Issues:**

Global climate change resulting from human activity, namely the burning of fossil fuels which increase the concentration of carbon dioxide in the atmosphere, poses a direct and immediate as well as long-term threat to public health, safety and welfare. Increasing global temperatures are predicted to lead to, among other things, increased frequency and severity of droughts, storms and floods; melting of glaciers, ice sheets and polar sea-ice, raising sea levels to cover shoreline and low-lying land; increase in infectious diseases; changes in distribution and abundance of native tree, plant and animal species; disruption of forestry, agriculture and recreational industries. Chapter 156 is intended to reduce emissions of carbon dioxide from large power producers in the state through the establishment of a cap-and-trade program which will operate on a regional scale.

**Departmental Recommendation:**

The Department recommends that the Board adopt the proposed regulation as revised.

**Estimated Time of Presentation:**

30 minutes